

Friday, October 31, 2003

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**Background
Information**
from
**Congressman
Joe Pitts**



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Update on the economy

CURRENT INDICATORS

Real GDP: + 7.2 % in 3rd Qtr

The Bureau of Economic Analysis (BEA) reported today that real gross domestic product (GDP) grew at an estimated 7.2 percent annual rate in the third quarter of 2003, the largest increase since 1984. Today's report significantly exceeded expectations. Many economists this week had predicted roughly 6 percent growth, and earlier this month the Blue Chip consensus forecast was just 4.9 percent.

- ✓ **Business fixed investment increased at an 11.1 percent annual rate.** This is two quarters in a row of investment growth.
- ✓ **Consumer spending increased at a 6.6 percent annual rate, the fastest since 1997.** Recent tax relief helped fuel a strong increase in disposable income, boosting consumer spending.
- ✓ **Exports increased at a 9.3 percent annual rate.** Imports were essentially flat, so the trade deficit declined.

Joint Economic Committee (10/30/03)

Unemployment Rate: 6.1 % in Sept.

The unemployment rate remained at 6.1 percent in September, and total nonfarm payroll employment was little changed, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The number of jobs in manufacturing declined at a slower pace than in recent months, while employment in temporary help services continued to trend upward.

Bureau of Labor Statistics (10/3/2003)

Consumer Confidence: + 4.1 points in Oct.

The Conference Board's Consumer Confidence Index, which declined last month, advanced in October. The Index now stands at 81.1 (1985=100), up from 77.0 in September. The widely-watched Expectations Index rose to 90.7 from 88.5. The Present Situation Index increased to 66.8 from 59.7.

"After declining for five consecutive months, the Present Situation Index reversed course in October," says Lynn Franco, Director of The Conference Board's Consumer Research Center. "A more favorable job market was a major factor in the turnaround. And, the belief that this trend will continue has boosted expectations. With the

holiday season around the corner, this improvement in consumers' spirits is a good omen for upcoming retail sales."

The Conference Board (10/28/2003)

CPI: + 0.3 % in September

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in September, before seasonal adjustment, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The September level of 185.2 (1982-84=100) was 2.3 percent higher than in September 2002.

Bureau of Labor Statistics (10/16/2003)

Industrial Production: + 0.4% in Sept.

Industrial production rose 0.4 percent in September after having edged down 0.1 percent in August. For the third quarter, total industrial production increased at an annual rate of 3.3 percent. Manufacturing output, led by an increase in motor vehicle production, climbed 0.7 percent in September and rose at an annual rate of 2.9 percent in the third quarter. The output at utilities fell back 2.2 percent in September, and the output at mines was unchanged.

Federal Reserve (10/16/2003)

Initial Jobless claims: 386,000

In the week ending Oct. 25, the advance figure for seasonally adjusted initial claims was 386,000, a decrease of 5,000 from the previous week's revised figure of 391,000. The 4-week moving average was 388,750, a decrease of 4,750 from the previous week's revised average of 393,500.

Department of Labor (10/30/03)

PAYROLL AND JOBS OUTLOOK

Most private economists generally agree that the U.S. economy is growing at a strong pace in the second half of this year – and that strong growth will continue through 2004. A big question, though, is how payroll jobs will respond. Thus far, despite growth in the economy over the past 2 years, the labor market performance has been mixed, at best. Only recently has the jobs market shown nascent signs of improvement.

One reason for the sluggish labor market is the strong productivity growth of recent years. This has allowed firms to expand total output without net increases in payroll workers. Going forward, however, history suggests the recent productivity growth surge will settle back somewhat, leading to significant gains in payroll jobs accompanying the stronger growth in real gross domestic product [GDP]. This Budget & Economic Monitor provides a further description of the prospects for economic expansion and job growth. Some key points:

- ✓ *Economic Growth:* Private economists expect growth in real GDP of about 4½ percent or more during the second half of this year, and about 3½ percent to 3¾ percent during 2004
- ✓ *Unemployment Rate:* They also expect the unemployment rate to decline from 6.1 percent now to about 5.8 percent by the end of 2004.

- ✓ *Potential Jobs Growth:* Current projections and estimates point to an expected increase in payroll jobs of about 2.3 million to 2.6 million through the end of 2004 – or roughly 150,000 to 175,000 per month on average.
- ✓ *Accounting for Risks:* Even accounting for various risks and uncertainties, the bulk of the projections still point to substantial payroll jobs increases, more likely than not occurring in the broader range of 100,000 to 250,000 per month range through the end of 2004.

House Committee on the Budget (10/30/03)

Payroll employment increased in September and declines of prior months have been successively smaller, pointing to a stabilizing labor market (Figure 1). Downward trends in jobless claims and reported layoffs also indicate improving labor markets. The unemployment rate held steady at 6.1% in September. Positive indicators include an increase in the average work week, continued growth in business hiring of temporary help, and declines in manufacturing job losses in recent months. The large discrepancy between the Bureau of Labor Statistic's two employment surveys remains – the household survey indicates job growth since the end of the recession, while the *payroll survey* indicates job losses.

Joint Economic Committee (10/15/03)

"For the first time in this recovery, consumers and businesses are joining forces."

Sung Won Sohn, Wells Fargo's chief economist, *Associated Press*, 10/30/2003.